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Activities not classified by field: international economic and social classifications

International economic and social classifications

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-fourth session.[a] It outlines how the recommendations of the Commission concerning international statistical classifications have been addressed since that session. The report includes as annex I the conclusions and recommendations of the Expert Group on International Economic and Social Classifications.

Points for discussion by the Commission are contained in paragraph 48.

[a] See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. I, sect. A, para. 1.

* E/CN.3/2004/1.

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I. Status of recommendations

A. Recommendations on international classifications made by the Statistical Commission at its thirty-fourth session

1. At its thirty-fourth session, held from 4 to 7 March 2003, the Statistical Commission:[1]

(a) Generally supported the need for the concepts paper to provide a conceptual basis for the revision of the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC) and noted that consultations with countries would facilitate further discussion and refinement of the concepts paper;

(b) Stressed the need for a strong link between activity and product classifications;

(c) Also stressed the need for continuity through clear links to previous versions of the classifications, and cautioned against substantial changes;

(d) Reiterated its expectation for a positive outcome of the convergence process between the Statistical Classification of Economic Activities in the European Community (NACE) and the North American Industry Classification System (NAICS) welcomed the report on the steps taken so far and emphasized the need for further consultations in Europe;

(e) Agreed to the continuation of the consultation process, involving countries through questionnaires, meetings and workshops;

(f) Noted the need for funding in some regions, such as for francophone African countries, to ensure inclusion of the respective countries concerned in the revision process;

(g) Recommended that national consultations on classifications involve a variety of users, including the business community;

(h) Noted the need for increased integration of classifications of activities, products and occupations;

(i) Requested that the timetable for the revision of the International Standard Classification of Occupations (ISCO) be reviewed, noting that moving deadlines forward is necessary to meet the needs of the next census rounds, and suggested the creation of a technical subgroup to assist in the revision of ISCO.

B. Activities carried out in response to the requests of the Commission

2. The activities carried out in the area of statistical classifications since the thirty-fourth session of the Statistical Commission are described below.

1. International Standard Industrial Classification of All Economic Activities and Central Product Classification

3. The work on the revision of ISIC and CPC for 2007 is progressing according to the work plan approved by the Statistical Commission at its thirty-third session.

(a) The consultation process

4. Following the proposals by the Expert Group, the Statistical Commission confirmed that the consultation with all countries in the revision process should be a priority and that they should be achieved through regional workshops as well as questionnaires seeking input from all countries during different stages of the revision process. That allows on the one hand, the direct involvement of all major stakeholders, in particular those related to the convergence goal of the revision process, to draw on the experience of research work already carried out; on the other hand, the process allows deliberation of different viewpoints, arising out of different economic settings, which need to be considered to ensure the relevance of ISIC and CPC as international reference classifications in their respective subject-matter areas.

5. The draft concepts paper and draft high-level structure of ISIC as presented to the Statistical Commission in March 2003 have formed the basis for the second questionnaire sent out during the ISIC/CPC revision process. The questionnaire was sent out in May 2003 and consisted of a set of four documents: (a) the concepts paper for the 2007 ISIC and CPC revision; (b) a draft paper of a possible structure for ISIC Rev.4, focusing on higher-level categories; (c) a discussion paper on coding options for ISIC; (d) a set of questions for the ISIC and CPC revision. The questions listed in the latter arose from the preparation of the three papers listed above. They provided some guidance and structure for the responses. However, responses did not have to be restricted to the issues listed in the questionnaire.

6. Responses were received from 70 countries and organizations. They addressed the full range of issues raised, in varying degrees of detail and complexity. The replies were reviewed by the Technical Subgroup at its most recent meeting in October 2003. Based on the questionnaire replies, changes to the ISIC structure draft have been enacted. Replies to the concepts paper have been discussed as well and resulted in a number of changes/clarifications to the existing paper.

7. The following regional engagements, as part of the work programme of the United Nations Statistics Division, were conducted as an important constituent of the revision process to date: (a) the United Nations Workshop on Classifications for ASEAN member countries, held in Hanoi from 10 to 14 June 2002; (b) the United Nations Workshop on Classifications, held in Santiago from 8 to 12 September 2003; and (c) the United Nations Workshop on Classifications, held in New Delhi from 14 to 16 October 2003.

8. Among the objectives of the workshops was presenting the conceptual as well as main structural changes planned for ISIC and CPC, with a view to obtaining input relevant to the regions in which they were held. A key element of the conduct of each workshop was presentation by each participating country of the status of implementation of their national activity and product classifications. That has proved very useful in authenticating the status, especially of ISIC as a reference

classification and complementing the information gathered from country questionnaires.

9. During the workshops, many regional concerns having relevance to the revision process were identified. Where they were consensual and/or indicative of economic realities in individual countries or regions, they were presented for input into the process.

10. A number of other meetings at the international or multinational level took place, at which issues of the ISIC and CPC revision were discussed. At these meetings, either the United Nations Statistics Division or Technical Subgroup members ensured the link to the work of the Technical Subgroup through their participation. That includes the meeting of the Voorburg Group on Service Statistics, in October 2003, the first meeting of the Technical Group on Classifications of ASEAN countries, in June 2003, and the AFRISTAT (Observatoire économique et statistiques d'Afrique subsaharienne) workshop on classifications for francophone West and Central African countries, in October 2003.

11. Proposals and comments regarding the revisions (and other classifications issues) have been accepted through the Classifications Hotline on an ongoing basis. They are entered into the Registry and form part of the discussion on the topics to which they are related.

12. Documentation on the status of the revision process is provided on an ongoing basis through the United Nations Statistics Division web site at http://unstats.un.org/unsd/cr/registry/regrev.asp. Additionally, documentation on Technical Subgroup meetings can be found at that web site under "meetings", and on regional workshops under "International Cooperation in Classifications", "United Nations Classifications Workshops and Training".

(b) Statistical Classifications of Economic Activities in the European Community — North American Industry Classification System convergence project

13. Although not formally part of the ISIC revision or part of the work of the Technical Subgroup, the NACE-NAICS convergence project has provided a substantial amount of background information and research work useful for the ISIC revision.

14. The second stage of the project resulted in a convergence scenario, assuming a possible common top structure for NACE and NAICS, which was then discussed in an extensive consultation phase with stakeholders in the participating countries. The outcome of those consultations showed that, despite the benefits, no sufficient support for such a scenario exists. The amount of necessary changes and associated implementation costs were typically deemed too high. As a result, the new focus of the convergence work is a "better concordance" scenario, which would address lower structure detail and concept issues. Changes, if implemented, would result in classifications with much better comparable building blocks, allowing for data conversion at different levels of the classification, while still using different structures.

15. In this sense, the work carried out in the convergence project will provide valuable input into the ISIC revision, not only through its final recommendation. That includes conceptual work on definitions of industry or activity groupings, as

well as indications of what degree of change is still acceptable in participating countries.

(c) Recommendations for ISIC and CPC

16. The discussions in the Technical Subgroup and the Expert Group on International Economic and Social Classifications were based on inputs received through the channels listed above on the previously distributed drafts of the concepts paper and the ISIC structure draft. The discussions have resulted in the general recommendations, discussed below, for concepts applying to the future revised ISIC and CPC, as well as the structure recommendations discussed below. The final conclusions and recommendations of the Expert Group are shown in annexes I and II to the present document.

17. Over the past year, feedback from countries has shown that greater emphasis is being placed on continuity, compared to the comparability factor in the revision process, which dominated early phases of the revision process. Among others, the outcome of the work in the convergence project so far has also shown limitations to the "comparability" that can be achieved in the ISIC revision. It has become apparent that despite the benefits of a common structure, the necessary costs for all stakeholders involved make such an approach essentially impossible. The work on ISIC will therefore focus on improvements to the ISIC structure and detail, enhancing relevance, while leaving most of the ISIC structure intact, thereby paying respect to the strong need for continuity of the classification.

18. Based on the previously distributed ISIC structure and the replies to the associated questionnaire, the structure shown in annex II to the present document is recommended for the revised ISIC. There are two levels of the classification shown. They are the levels recommended as "minimum" for international comparability (21 sections, 90 divisions). That structure will serve as the basis for the work on the detailed categories of the classification. The structure proposal is expected to form the higher-level structure of ISIC Rev.4, but will be open to needed changes or revisions that may result from the further analysis of the more detailed levels of the classification.

19. Given the strong link between the current versions of ISIC and NACE and the fact that NACE users account for a large percentage of ISIC adaptations, the strongly expressed needs of those users, specifically related to continuity of the classification, have been taken into account. That has resulted in a compromise solution for one part of the ISIC structure, as described in paragraph 13 of the recommendations of the Expert Group (annex I to the present report).

20. Since the top level has now been extended to 21 sections (as compared to 17 in ISIC Rev.3.1), there is a strong demand for an additional aggregated level of about 10 items. It is recommended that such a level be created, but not be part of the classification, i.e., the ISIC coding system. As many different applications of such an aggregated level are possible, it is recommended that a System of National Accounts (SNA)-based version should serve as the default recommendation. The definition of that aggregated level will be discussed with the Inter-secretariat Working Group on National Accounts (ISWGNA).

21. Feedback on CPC issues has been sparse compared to responses on ISIC questions. However, consensus emerges on a few issues, while others need further

consideration. Account should be taken in that context, of the fact that the CPC has recently been revised and implementation issues are still emerging. A larger number of countries have been using the Statistical Classification of Products by Activity in the European Economic Community (CPA) for some time now. While the detail is comparable to that of the CPC, the aggregation structure is different. Some of the recommendations to the CPC are based on that different experience.

22. There is strong agreement that the scope of the CPC should cover the output of economic activities, i.e., goods and services. While the treatment of unintended outputs is still somewhat debated, a number of arguments speak for their inclusion in the CPC. Also, maintaining the capability of the CPC to measure inputs, not only outputs, of production processes speaks for the inclusion of those products.

23. Assets as such will not be in the scope of the CPC. However, goods that turn into produced assets will still be part of the CPC, as products at the time of their creation. Assets will continue to be classified in the SNA classification of assets, which could be extended to a more detailed asset classification, supplementing the CPC.

24. The detail of the CPC goods part will remain based on the Harmonized System (HS). There may be some exceptions, where more detail is necessary than can be provided in the HS. That relates to cases where domestic production is significant, but the products are not internationally traded. A review of the detail of the goods part will be undertaken when the list of changes to the HS for 2007 is available. The detail in the services part will undergo a continued review using inputs from the development process of the North American Product Classification System (NAPCS) and other forums, such as the Voorburg Group. Criteria for the detail review of the CPC will include price-determining characteristics and index lists of service products for detailed data collection.

25. The aggregation structure of the revised CPC has been the most controversial issue. A large number of countries prefer a strict industry-of-origin approach to the current CPC structure. However, the majority of those countries will continue to use the CPA, i.e., changes in the CPC will not affect the acceptance of the CPC in those countries. However, the demand for such a structure has been recognized and an alternative structure for the CPC, based on the industry-of-origin approach will be prepared, taking into account existing CPC-ISIC links.

26. A demand-based structure, which could be based on existing classifications of expenditure (e.g., Classification of Individual Consumption According to Purpose (COICOP)) or on work carried out for NAPCS, is also of considerable interest and use. However, work on such a new structure cannot be completed by 2007 in a reasonable fashion.

27. It is therefore recommended to maintain that status quo regarding the aggregation structure for the CPC, and provide an alternative structure reflecting the industry-of-origin approach.

(d) Recommendation for future actions

28. Another draft containing complete detail and draft explanatory notes will be prepared by February 2004 and circulated to the Technical Subgroup for consideration prior to its planned meeting in March 2004.

29. After agreement by the Technical Subgroup on the draft, considering boundary and concordance issues, a full set of explanatory notes will be drafted. Detail work during the convergence project could serve as valuable input. The extended write-up should be completed by mid-2004 and will form the basis of the next round of formal consultations. The first complete draft of ISIC Rev.4 will be sent out in June 2004 for comments, with a deadline of November 2004 for receipt of responses. Country responses are expected on the overall balance of the classification, as well as detailed issues.

30. The Technical Subgroup will evaluate the replies to the questionnaire and produce a final ISIC Rev.4 draft, which will be submitted to the Expert Group for approval by the end of 2005.

31. While countries are discussing the above-mentioned ISIC questionnaire, the Technical Subgroup will focus on further development of the CPC and dedicate the fall 2004 meeting exclusively to that classification. Preparation of drafts and country consultation will follow the ISIC example, but with a six-month delay. Considering the limited set of expected changes, the time frame for finalizing the CPC should be sufficient to prepare a final draft for the 2005 Expert Group meeting.

32. It is recommended that the future classifications, which will include an introduction outlining the conceptual underpinnings as well as some implementation guidance, be supplemented by two additional publications: (a) a companion guide to ISIC, which will explain the "why" behind the decisions taken for the classification, providing more information on concepts and conventions used; and (b) an implementation guide, which will explain how the classification should be applied, focusing on the operational aspects of the implementation. It would include examples on choice of statistical units, coding guidance, etc.

2. Standard International Trade Classification

33. The Standard International Trade Classification, Revision 3 (SITC, Rev.3) was approved by the Statistical Commission at its twenty-third session (1985). SITC, Rev.3 is defined in terms of the original Harmonized Commodity Description and Coding System (HS), which entered into force in 1988. The original HS was amended by the World Customs Organization in 1992, 1996 and 2002. To maintain continuity in SITC, Rev.3 series, the United Nations Statistics Division issued appropriate correlation tables between SITC, Rev.3 and each new edition of HS, as requested by the Commission. However, a strict period-to-period comparability was being lost for a growing number of series (about 15 per cent as of 2002) owing to significant changes in the HS classification scheme. Many new products introduced in HS are not reflected in SITC since its structure has not been revised. At the same time, the majority of countries and international organizations continue to use SITC for various purposes, such as study of long-term trends in international trade and aggregating traded commodities into classes more suitable for economic analysis.

34. In this connection, the International Merchandise Trade Statistics Task Force (Task Force) in its report at the thirty-fourth session of the Commission stated that "the cumulative revisions in the Harmonized System may call for the preparation of a fourth revision of the Standard International Trade Classification, for use in 2007."[2] Since the issuance of that report, new information on the scope of the expected changes in the 2007 edition of HS became available. It is likely that more new commodity groups will be introduced while others, which became relatively

less important in world trade, will be dropped. That will result in further problems in application of SITC, Rev.3. On that basis, the Task Force, at its meeting in May 2003 in Geneva, confirmed its position regarding a need for the fourth revision of the SITC, and requested the United Nations Statistics Division to inform the Commission at its thirty-fifth session in 2004 accordingly. The Statistics Division has already started preparatory work on a fourth revision of SITC and will submit a progress report to the Task Force at its next meeting in March 2004.

3. International Standard Classification of Occupations

35. The issue of revision of the International Standard Classification of Occupations (ISCO), which was also raised at the last session of the Statistical Commission, was discussed at the Seventeenth International Conference of Labour Statisticians (ICLS), held from 24 November-3 December 2003.

36. The ICLS recommended that ISCO-88 be updated and improved, but that the main structure of ISCO not be changed in the revision. A Technical Subgroup will be formed to carry out that task, with members being selected in cooperation between the International Labour Organization and the Expert Group on International Economic and Social Classifications.

37. Additional information, detailing the recommendation by the ICLS and future work plan are available in a separate room document.

4. International Standard Classification of Education

38. The UNESCO Institute for Statistics will continue to improve Member States' overall understanding and application of the ISCED classification. In particular, as part of its continuing series of workshops, the Institute's education programme will continue to work on the application of the ISCED system by improved mapping of the national education systems of Member States.

39. As stated in its medium-term strategy 2002-2007, the Institute will identify new data areas, and will consider revision of the existing international standard definitions and classifications in partnership with the competent institutions. The ISCED Operational Manual and the Manual on Fields of Education will be finalized and disseminated widely, together with relevant training material to assist Member States in implementing the revised ISCED with a view to improving international comparability of educational data.

40. During 2003-2004, the Institute has continued with its reviews of data collection activities in the areas of science and technology, culture and communication. A new data collection round on science and technology data is likely to be initiated in 2004. The completion of the reviews may lead to proposals for the revision of relevant international standards.

41. A draft version of the Country Operational Manual for ISCED-97 has been completed and is undergoing a review. During 2002 and 2003, the Institute used its annual workshops to gather data on the implementation of ISCED. Its staff has gained experience in problems in the implementation of ISCED throughout the world. That information will be integrated into the manual in the form of critical examples of practice and guidance on how to classify particular types of programmes. The Institute believes that it is very important that any operational

manual be based on actual practice in the field and should contain practical guidance on how countries should approach the problem of classification.

42. Research is also under way, studying the data from a number of countries where a large proportion of students enter school either one year earlier or one year later than the entry age for programmes under ISCED. The study has important implications for ISCED and the comparability of education programmes.

5. Balance of Payments classification and Extended Balance of Payments Services classification

43. The annotated outline for the revision of the Balance of Payments Manual (BPM) will be released in early 2004. As part of the review process, the BPM classification will be reviewed. In the review of the services classification of BPM5, consistency with the CPC (also under review) will be one of the objectives.

6. Supporting activities, mechanisms and tools

44. The Classifications web site (http://unstats.un.org/unsd/class) continues to be an important tool in disseminating up-to-date information on classifications and supporting documents. An increasing number of classification documents, such as structures, correspondence tables, supplementary texts, etc., are now available as free downloads to users. Ongoing cooperation with the International Trade Statistics Branch of the United Nations Statistics Division has improved the availability of information related to trade classifications. Continued high Internet traffic on the site and a high number of downloads of classifications files underline the importance of the web site for the distribution of classifications-related information.

45. The web site also shows information on national implementation and national practices for activity and product classifications. Information has been gathered from ad hoc questionnaires and workshops and will be updated with current information from countries.

46. The Classifications Hotline serves as the main communication line between the United Nations Statistics Division and users of the classifications. In addition to the workshops conducted by the Division, the Hotline allows national statistical offices and other users of the classifications to seek clarification on specific classification problems and to make proposals for their improvement.

47. The *Classifications Newsletter* continues to announce new developments, publications and technical materials related to United Nations statistical classifications. It is available in print and in an electronic version, which is published on the Classifications web site in all six official languages of the United Nations. The *Newsletter* is disseminated to an additional group of about 660 users in 95 countries, beyond the standard distribution list. Starting in 2004, the *Classifications Newsletter* will appear as a semi-annual supplement to the new *United Nations Statistics Newsletter*.

II. Points for discussion

48. The Statistical Commission may wish to express its views on the following questions:

(a) Does the Commission agree with the conclusions and recommendations of the Expert Group on International Economic and Social Classifications (see annex I)?

(b) Does the Commission agree with the recommended high-level structure for ISIC as a basis for detailed work on the classification (see annex II)?

(c) Does the Commission agree with the proposed work plan for the ISIC and CPC revision (see annex I)?

(d) Does the Commission agree with the conclusion of the International Merchandise Trade Statistics Task Force that the fourth revision of SITC should be prepared for use by 2007?

Notes

[1] See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. V, sect. A, para. 2.

[2] See E/CN.3/2003/14, para. 12.

Annex I

Conclusions and recommendations of the Expert Group on International Economic and Social Classifications

Family of International Economic and Social Classifications

1. The Expert Group noted the work done by the United Nations Statistics Division, in cooperation with the Technical Subgroup and with other agencies. The Expert Group reconfirmed the Statistics Division Classifications web site as an important tool for distributing information on classifications.

2. The Expert Group recommended that the Task Force on International Trade in Services, when revising the Extended Balance of Payments Services Classification (EBOPS), take note of the CPC revision schedule, note the focus on the improvement of detailed service products, and consider carrying out the revision in consultation with the Technical Subgroup in order to maintain or improve the relationship between the EBOPS and the CPC. The Expert Group recommends that EBOPS subsequently be introduced as a member of the Family.

3. The Expert Group recognized the need for further work on the Classification by Broad Economic Categories (BEC), including a possible extension of the BEC to the services area, considering links to the CPC and COICOP.

Revision of SITC

4. The Expert Group took note of the plans to revise the Standard International Trade Classification (SITC) and agreed to the need for such a revision. While realizing that the expertise for the revision lies in existing groups, such as the Expert Group on International Trade, the Expert Group noted that the organization of the revision takes place in bodies not related to the Expert Group, which makes it difficult for the Expert Group to carry out the mandate given to it by the Statistical Commission. Contacts with the World Trade Organization as the secretariat of the Task Force on International Merchandise Trade Statistics need to be established.

Revision of ISCO-88

5. The Expert Group took note of the report of the Seventeenth International Conference of Labour Statisticians, which recommended that the International Standard Classification of Occupations (ISCO-88) be updated and improved. The recommendation that the main structure of ISCO should not be changed in that revision was supported.

6. The Expert Group recommended that the work to update and improve ISCO should be carried out under its guidance. A Technical Subgroup should be formed to do a technical review of the classification and prepare drafts for a revised classification, which should then be presented to the Expert Group for endorsement. The Expert Group should in cooperation with the International Labour Organization (ILO) select suitable experts for participation in the Technical Subgroup.

7. The Expert Group recommended that the revision process of ISCO follow a model similar to the ISIC revision process, involving countries through questionnaires and regional workshops. The possibility of organizing workshops on ISCO and ISIC/CPC back to back or with a joint session should be further explored.

Educational classifications

8. The Expert Group recommended that the classification and reporting of non-traditional educational and/or recreational and life-long learning activities should be addressed and solved. The UNESCO Institute for Statistics, Eurostat and the ILO should be involved in that task.

Agricultural classifications

9. The Expert Group took note of the FAO work plan for revising the classifications of agricultural activities and products. The Expert Group supports that work and urges close cooperation with parties involved in the ISIC and CPC revision. That cooperation will enhance application of ISIC and CPC for agricultural statistics. Through that work, the FAO will take the lead in a follow-up review of the current proposed ISIC and CPC structure and detail in consultation with the Expert Group and Technical Subgroup.

Family of International Health Classifications

10. The Expert Group took note of the work carried out by the World Health Organization on the Family of International Health Classifications. Experiences in implementation of the classifications and setting up corresponding mechanisms should be shared with other custodians.

Revision of ISIC

11. The Expert Group accepted and endorsed the proposals put forward by the Technical Subgroup regarding the conceptual issues underlying the ISIC revision and suggested improvements for the descriptions of those principles. It was agreed that:

(a) ISIC will remain a classification of economic activities, i.e., related to the production of goods and services as covered in the System of National Accounts (SNA);

(b) Some exceptions will be made to allow for classification of statistical units for other related purposes, such as business registers. There will also be certain cases where economic production outside the boundaries of the 1993 SNA will be included in ISIC. That will be limited to few cases, such as activities related to patented entities and subleases;

(c) ISIC categories and their descriptions will be based on activities. That will make ISIC more independent of specific organizational situations in countries and avoid ambiguity of language;

(d) Recommendations regarding statistical units and their identification, consistent with the SNA, remain in place. The treatment of ancillary units will follow the recommendations of the SNA, which are currently under review. If the current SNA treatment remains, a coding option using secondary codes for ancillary units will be recommended;

(e) ISIC will continue to use the criteria of input, process and output for the definition of classes. However, the revision of ISIC will focus on the production function as a conceptual underpinning within the constraints of relevance, comparability and continuity;

(f) Value added will be the criterion used to identify the primary activity of a unit that carries out multiple activities, even in the case of vertical integration.

12. The Expert Group reviewed a high-level structure proposal for ISIC Rev.4, prepared by the Technical Subgroup. After requesting clarification on a number of issues, the structure shown in annex II to the present document was approved for submission to the Statistical Commission. That structure proposal is expected to form the higher-level structure of ISIC Rev.4 but will be open to needed changes or revisions that may result from the further analysis of the more detailed levels of the classification.

13. The Expert Group, acknowledging the importance of the separate identification of specialized repair and maintenance units and the desire to retain a grouping equivalent to division 50 in ISIC Rev.3.1, recommended a compromise to resolve concerns related to the creation of a section for repair and maintenance activities in ISIC Rev.4. A majority of questionnaire responses noted the importance of separating specialized repair and maintenance units from other manufacturing units. A large proportion of responses also expressed the desire to maintain a grouping equivalent to ISIC Rev.3.1 division 50. The compromise creates a separate division within the manufacturing section for specialized units repairing capital machinery, leaves the repair and maintenance of motor vehicles with the wholesale and retail trade of motor vehicles, and moves specialized repair and maintenance units for computers and household goods to the "Other service activities" section in ISIC Rev.4.

14. With respect to support services, the Technical Subgroup had recommended that support services specific to certain sections be grouped at the division level, with possible further subdivision reflecting additional industry breakdowns in those sections. The majority of questionnaire responses also supported that. However, arguments have been raised to group those support services closer to the activities they serve, i.e., at group level or lower, to allow valuation at division level for activities, including relevant support activities. Agricultural support services have been identified as an area needing more research in that case. In other cases, e.g., education, the volume of support services does not seem to warrant the creation of a separate division, but the support services should nonetheless be separated from the activities they serve. That issue will be reviewed during the development of the lower-level detail of the classification.

15. The two-digit level (in the draft structure in annex II) should serve as the minimum level for international comparability and countries are encouraged to ensure that data produced according to their national classification can be cleanly aggregated to those categories.

16. The Expert Group noted that the proposed ISIC Rev.4 higher-level structure reflects improvements to the classification that are useful and relevant and also improve the comparability of industrial classifications in use throughout the world.

17. The Expert Group directed the Technical Subgroup to consider remaining boundary issues in the context of improvements to ISIC.

18. The Expert Group endorsed the development of the approximately 10-item aggregation of the 21 sections in the ISIC Rev.4 structure. That aggregation will not be part of the regular ISIC structure, but presented as an alternative aggregate, which provides guidance for dissemination of highly aggregated industry data.

Needs of different applications may result in different possible aggregates. Only one aggregate will be published to support dissemination and analysis of SNA data. The aggregation will be developed in consultation with the ISWGNA.

Revision of CPC

19. The Expert Group accepted that the scope of the CPC be limited to produced goods and services.

20. The Expert Group agreed that the main structure of the CPC not be changed for the revision in 2007. Options for an industry-of-origin approach and a demand-based approach will be considered for future revisions, following research work done for other classifications.

21. A review of the detail of the CPC will be undertaken, taking into account the updated versions of the Harmonized System and the Balance of Payments Classifications. FAO will play an important role in further developing the part related to agricultural products. Special attention will be paid to improving the detail of the services part of the CPC, for instance by incorporating price-determining characteristics. The capability of the CPC to act as a guiding tool for the development of detailed product lists needs to be increased.

Implementation of classifications

22. The Expert Group agreed that continuity in classifications work is of extreme importance for all national statistical offices and other custodians of national classifications. If the creation of a dedicated classifications or standards unit is not feasible, the identification and appointment of focal points for classification issues are strongly recommended. They should serve as informants for national users of the classifications and as contacts to the international custodians.

23. The Expert Group agreed that bilateral cooperation is an important tool for the implementation of classifications, with the international agencies functioning as moderators and coordinators. National classifications experts should also act as resource persons for international classifications workshops.

24. To better coordinate and increase awareness of training opportunities on classification issues, the Expert Group recommends the creation of an Inventory of Classifications Activities. It would initially cover the activities of custodians of international reference classifications and then be extended to include those of countries, providing information on activities being undertaken with regard to the different classifications, showing where resources and expertise are located and which agencies undertake specific classifications projects, including training. That would not only allow for better sharing of information, but also ensure more effective use of resources.

Organization of work

25. The Expert Group agreed to the work plan for further steps in the ISIC and CPC revision process, as being put forward by the Technical Subgroup. The date of the next Expert Group meeting has been set for June 2005, to allow sufficient time for the preparation of the final documents on ISIC Rev.4 and CPC Ver.2 for submission to the Statistical Commission.

Annex II

Draft high-level structure for the International Standard Industrial Classification of All Economic Activities, Revision 4

1. The draft high-level structure is the result of the deliberations of the Expert Group and its Technical Subgroup. In concordance with the recommendations of the Expert Group, the structure also represents the level targeted for international comparability. While the future work on additional detail of the classification may result in reconsideration of some groupings presented here, no explicit further discussion is planned for the levels presented in the draft.

Draft high-level structure

Section/division		*Title*
A		**Agriculture, hunting, forestry and fishing**
	01	Agriculture
	02	Forestry and logging
	03	Fishing and aquaculture
	04	Support service activities for agriculture, forestry, hunting and fishing
B		**Mining and quarrying**
	05	Mining of coal and lignite; extraction of peat
	06	Extraction of crude petroleum and natural gas
	07	Mining of metal ores
	08	Other mining and quarrying
	09	Mining support service activities
C		**Manufacturing**
	10	Manufacture of food products
	11	Manufacture of beverages
	12	Manufacture of tobacco
	13	Manufacture of textiles
	14	Manufacture of wearing apparel
	15	Manufacture of leather and related products
	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
	17	Manufacture of paper and paper products

Section/division	*Title*
18	Printing and reproduction of recorded media
19	Manufacture of coke and refined petroleum products
20	Manufacture of chemicals and chemical products
21	Manufacture of pharmaceuticals
22	Manufacture of rubber and plastics products
23	Manufacture of other non-metallic mineral products
24	Manufacture of basic metals
25	Manufacture of fabricated metal products, except machinery and equipment
26	Manufacture of machinery and equipment n.e.c.
27	Manufacture of computers, communications equipment and electronic components
28	Manufacture of electrical equipment
29	Manufacture of motor vehicles
30	Manufacture of other transport equipment
31	Manufacture of furniture
32	Manufacturing n.e.c.
33	Repair and maintenance of machinery and equipment
D	**Utilities**
34	Utilities
E	**Water supply; sewerage, waste management and remediation activities**
35	Water collection and supply
36	Sewerage
37	Waste collection, treatment and disposal activities
38	Remediation activities
F	**Construction**
39	Construction of buildings
40	Civil engineering
41	Specialized transversal trades

Section/division	*Title*
G	**Trade**
42	Wholesale and retail trade and repair of motor vehicles and motorcycles
43	Wholesale trade
44	Retail trade
H	**Transportation and storage**
45	Land transport; transport via pipelines
46	Water transport
47	Air transport
48	Supporting and auxiliary transport activities
49	Warehousing and storage
50	Postal and courier activities
J	**Accommodation and food service activities**
51	Accommodation
52	Food service activities
K	**Information and communication**
53	Publishing activities
54	Motion picture and sound recording activities
55	Broadcasting
56	Telecommunications
57	Information technology service activities
58	Internet service providers and web search portals and other information service activities
L	**Financial and insurance activities**
59	Financial intermediation, except insurance and pension funding
60	Insurance and pension funding, except compulsory social security
61	Other financial activities
M	**Real estate, rental and leasing activities**
62	Real estate activities
63	Rental and leasing

Section/division		*Title*
N		**Professional, scientific and technical activities**
	64	Legal and accounting activities
	65	Architecture and engineering activities; technical testing and analysis
	66	Management and management consultancy activities
	67	Research and development
	68	Advertising activities
	69	Other professional, scientific and technical activities
O		**Administrative and support service activities**
	70	Office administrative service and business support activities
	71	Employment activities
	72	Activities of travel agencies and tour operators and other reservation service activities
	73	Investigation and security activities
	74	Services to buildings
	75	Other support activities
P		**Education**
	76	Education
	77	Education support activities
Q		**Health and social work**
	78	Human health and social work activities
	79	Veterinary activities
R		**Arts, entertainment and recreation**
	80	Dramatic arts, music and other arts activities
	81	Museums activities, preservation of historical sites, botanical and zoological gardens and nature reserves activities
	82	Gambling and betting activities
	83	Other entertainment, sports and recreation activities
S		**Other service activities**
	84	Activities of membership organizations
	85	Repair of computers and household goods
	86	Other service activities

Section/division	*Title*
T	**Public administration and defence; compulsory social security**
87	Public administration and defence; compulsory social security
U	**Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use**
88	Activities of households as employers of domestic personnel
89	Undifferentiated goods- and services-producing activities of private households for own use
V	**Extraterritorial organizations and bodies**
90	Extraterritorial organizations and bodies